

KENTUCKY ECONOMIC INDICATORS

April 2008 as of June 25, 2008

KY Composite Index of Leading Indicators decreased by 4.9 percent in April.

- The Leading Index has decreased for the second time in 2008.
- Year-over-year the index declined by 1.1 percent.
- The component indicators were mostly negative, 1:4.
 - KY Labor Intensity Index decreased 1.3 percent.
 - KY Index of Initial UI Claims decreased by 2.3 percent.
 - + US Retail Sales increased by 5.0 percent.
 - US Manufacturer's New Orders Index decreased by 11.7 percent.
 - Louisville Help Wanted Index decreased by 5 points to 15.

Component weights for April are 69.0, 13.0, 11.8, 4.9 and 1.2 respectively.

KY Composite Index of Coincident Indicators decreased by 3.6 percent in April.

- The Coincident Index growth is negative for the second time in 2008.
- Year-over-year growth is positive for the fifty-seventh consecutive month at 0.6 percent.
- Component indicators were all negative, 0:3.
 - KY Non-farm Employment decreased 2.0 percent.
 - US Industrial Production Index decreased 8.6 percent.
 - US Personal Income Less Transfers decreased 0.4 percent.

Component weights for April are 37.8, 31.2 and 18.4 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

The Kentucky Index of Leading Indicators has fallen to its lowest level since May 2005. The Index has changed signs for the last eight consecutive months. Unfortunately, the declining growth months are much larger in magnitude than the increasing growth months. Overall, the Leading Index is down by 1.1 percent compared to April 2007. The inability to string together a sustained pattern of growth in the leading index indicates that the Kentucky economy will maintain its current course for the foreseeable future.

As mentioned above, four of the five components indicators declined in April. The Kentucky Labor Intensity Index fell by 1.3 percent for April. This is the sixth consecutive month that this index has changed directions. The Labor Intensity Index has fallen somewhat from its recent peak of 105.0 in November 2007, but is still only down 0.2 percent over April 2007. On a long term basis, the Labor Intensity Index has been unremarkable since 2004. It has shown no signs of loss nor growth since its short surge in the latter half of 2003.

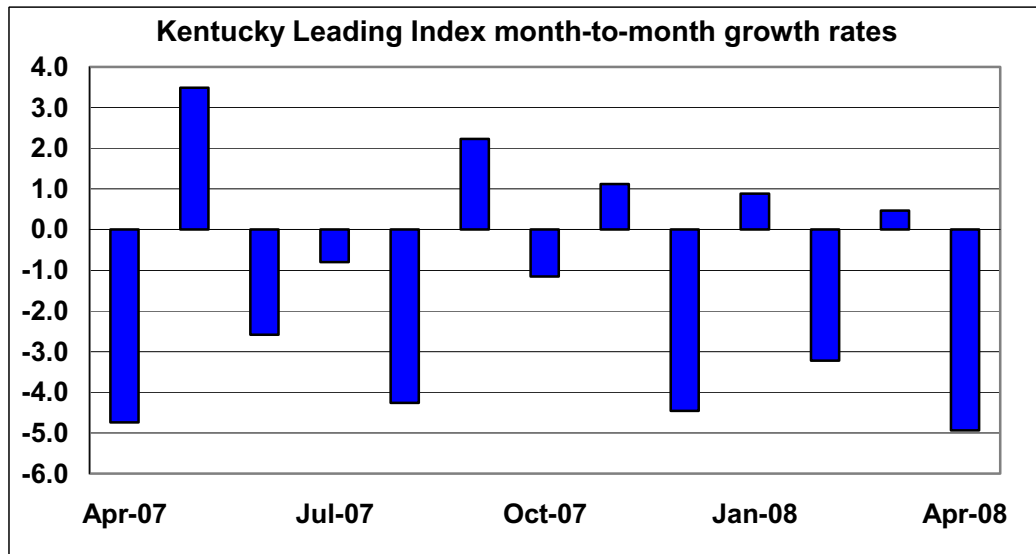
US Manufacturer's New Orders Index fell 11.7 percent in April to 124.2. One needs to go back to August 2004 to find the last time this index was in the 124 range. The series has declined eight times in the last twelve months and currently stands 6.5 percent off of its April 2007 level. The US Manufacturer New Orders Index has been trending downward since the beginning of 2006.

The Louisville Help Wanted Index fell five points to a new all-time low of 15. The Louisville Index has declined three times in the last four months. The index has been falling since 2002, and it seems unlikely that this variable has hit rock bottom.

The lone bright spot in the leading index is the retail sales component. March US Retail Sales were revised from \$378.9 billion to \$380.0 billion. While this is not an extraordinary revision it improves the March monthly growth rate from 2.6 percent to 6.2 percent. US Retail Sales built upon this robust growth in March with a 5.0 percent increase in April. However, recent increases in the CPI are projected to cool consumer spending in the upcoming months as increasing energy prices continue to fuel inflation, which has a dampening effect on consumer spending.

The Kentucky Index of Coincident Indicators completely reversed the encouraging growth in March. All three indicator components were positive in March, while all three are negative for April. Kentucky non-farm employment lost 3,100 seasonally adjusted jobs since March with a 2.0 percent loss. A large portion of that occurred in the manufacturing sector, which lost 2,600 seasonally adjusted jobs over March. This is the third double-digit job loss in the manufacturing sector in the last year. On net, Kentucky manufacturing employment is down 2.8 percent over April 2007. US manufacturing employment is experiencing similar percentage reductions, down 2.3 on a year-over-year basis. The US Industrial Production Index fell by 8.6 percent. This is the largest single month decline in the US Industrial Production Index since June 2004 (-9.6 percent).

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **KY Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products; chemical and allied products; petroleum, coal, rubber and plastic products; fabricated metals and transportation equipment.
- **KY Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly. This is an inverted index. That is, when either component goes down, ceteris paribus, then the index value goes up. Likewise if either component goes up, then the index value goes down.
- **U.S. Retail Sales:** During turning points in the Kentucky economy, U.S. Retail Sales was not strictly concave or convex to the origin. For this reason inflexion points were used to test turning points in the U.S. Retail Sales series. U.S. Manufacturing and Trade Sales performed better than U.S. Retail Sales in testing, but because U.S. Manufacturing and Trade Sales was not published in a timely manner it had to be removed from the Kentucky Leading Index.
- **U.S. Manufacturer's New Orders Index:** This index has two components: US Manufacturer's New Orders for Nondefense Capital Goods and US Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.ky.gov

**Office of State Budget Director
Room 284, Capitol Annex
Frankfort, Kentucky 40601-3453**

**Thomas Jones
Phone: 502-564-7300
taj@ky.gov**

**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2007							2008						
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	
KY Leading Index (1992=100)	113.0	113.3	113.1	113.0	112.6	112.8	112.7	112.8	112.4	112.4	112.1	112.2	111.7	
% Chg Previous Month SAAR	-4.7	3.5	-2.6	-0.8	-4.3	2.2	-1.2	1.1	-4.5	0.9	-3.2	0.5	-4.9	
% Chg Same Month Last Year	-0.3	0.3	-0.1	0.0	-0.1	-0.1	0.0	0.1	-0.9	-0.4	-0.6	-1.1	-1.1	
KY Leading Index Diffusion Index	66.7	73.3	63.3	63.3	60.0	63.3	63.3	60.0	60.0	63.3	60.0	56.7	56.7	
KY Coincident Index (1992=100)	135.6	135.7	136.0	136.3	136.3	136.6	136.6	136.8	136.9	137.0	136.7	136.8	136.4	
% Chg Previous Month SAAR	1.4	1.3	2.6	2.5	0.6	2.0	0.0	2.2	1.0	0.4	-2.4	0.7	-3.6	
% Chg Same Month Last Year	1.5	1.7	1.6	1.9	1.8	1.9	1.7	1.8	1.4	1.6	1.1	1.0	0.6	
KY Non-farm Employment (000s)	1,863.2	1,869.1	1,871.1	1,869.3	1,868.4	1,870.8	1,874.5	1,877.9	1,880.0	1,881.5	1,880.5	1,881.6	1,878.5	
% Chg Previous Month SAAR	0.3	3.9	1.3	-1.1	-0.6	1.6	2.4	2.2	1.4	1.0	-0.6	0.7	-2.0	
% Chg Same Month Last Year	1.1	1.3	1.4	1.5	1.1	1.2	1.5	1.5	1.0	1.2	1.2	1.0	0.8	
KY Private Services Employment (000s)	1,176.6	1,182.4	1,182.9	1,181.5	1,181.8	1,180.6	1,185.6	1,187.2	1,189.3	1,194.7	1,194.4	1,191.7	1,189.8	
% Chg Previous Month SAAR	-2.2	6.1	0.5	-1.4	0.3	-1.2	5.2	1.6	2.1	5.6	-0.2	-2.8	-1.9	
% Chg Same Month Last Year	1.6	1.9	1.9	1.9	1.9	1.6	1.7	1.5	1.2	1.6	1.7	1.1	1.1	
KY Mfg Employment (000s)	257.9	257.8	258.3	256.3	252.8	254.8	253.9	253.1	250.7	250.6	250.4	253.3	250.7	
% Chg Previous Month SAAR	12.4	-0.5	2.4	-8.9	-15.2	9.9	-4.2	-3.7	-10.8	-0.5	-1.0	14.8	-11.6	
% Chg Same Month Last Year	-1.8	-1.5	-1.4	-1.3	-3.4	-2.3	-0.9	-0.9	-3.3	-3.2	-3.3	-0.8	-2.8	
KY Unemployment Rate (%)	5.5	5.6	5.5	5.5	5.5	5.4	5.4	5.1	5.3	5.2	5.3	5.7	5.6	
KY Index of Initial UI Claims (1992=100)	103.1	103.9	103.7	104.1	103.4	103.8	101.4	102.9	101.4	102.9	102.2	101.0	100.8	
% Chg Previous Month SAAR	-7.2	10.2	-3.0	4.4	-7.0	4.6	-24.8	19.5	-16.6	19.7	-7.8	-13.1	-2.3	
% Chg Same Month Last Year	-1.3	0.9	-0.2	0.6	1.0	1.1	-1.7	0.2	-2.1	-0.7	-0.5	-2.7	-2.2	
KY Labor Intensity Index (1992=100)	104.8	104.9	104.9	104.8	104.6	104.7	105.0	105.0	104.7	104.7	104.7	104.7	104.6	
% Chg Previous Month SAAR	2.0	0.9	0.1	-0.9	-2.0	0.7	3.5	0.1	-3.4	0.2	-0.7	0.4	-1.3	
% Chg Same Month Last Year	-0.2	0.0	-0.1	-0.1	-0.2	-0.2	0.4	0.5	-0.1	0.0	-0.1	0.1	-0.2	
Louisville HWI (1992=100)	29.0	30.0	28.0	23.0	22.0	23.0	23.0	19.0	20.0	19.0	18.0	20.0	15.0	
% Chg Previous Month SAAR	-99.1	50.2	-56.3	-90.6	-41.3	70.5	0.0	-89.9	85.1	-46.0	-47.7	254.1	-96.8	
% Chg Same Month Last Year	-27.5	-14.3	-24.3	-32.4	-31.3	-34.3	-36.1	-50.0	-52.4	-45.7	-41.9	-53.5	-48.3	
GF Total Tax Receipts (\$ mill)	671.9	784.7	788.6	608.6	566.5	822.3	639.4	624.7	822.3	724.3	564.7	610.5	922.7	
% Chg Same Month Last Year	-11.2	11.3	-2.5	5.2	2.4	-1.5	1.5	-1.0	-6.7	6.1	3.8	-6.5	37.3	
GF Sales & Use Receipts (\$ mill)	202.4	270.9	243.0	251.0	241.8	235.5	246.7	236.1	235.2	296.7	205.5	209.6	232.4	
% Chg Same Month Last Year	-12.2	15.1	5.3	0.7	4.9	5.1	1.7	5.5	-1.5	3.7	6.2	-1.4	14.8	
GF Income Tax Receipts (\$ mill)	283.4	337.8	289.0	249.2	240.6	332.9	265.6	236.9	295.4	272.7	235.0	193.6	544.3	
% Chg Same Month Last Year	-16.7	58.6	11.4	9.0	5.8	18.1	6.9	-2.3	9.7	34.9	3.5	-5.1	92.1	

SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

	2007												2008			
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL
US Leading Index (2004=100)	103.9	104.0	103.9	104.6	103.6	103.7	103.2	102.8	102.6	102.1	101.9	101.9	102.0			
% Chg Previous Month SAAR	-2.3	1.2	-1.1	8.4	-10.9	1.2	-5.6	-4.6	-2.3	-5.7	-2.3	0.0	1.2			
% Chg Same Month Last Year	-0.5	0.3	0.0	0.9	0.3	0.0	-0.7	-1.0	-1.7	-1.8	-1.7	-2.1	-1.8			
US Coincident Index (1996=100)	106.4	106.5	106.6	106.9	107.1	107.2	107.3	107.2	107.2	107.2	106.9	106.8	106.7			
% Chg Previous Month SAAR	1.1	1.1	1.1	3.4	2.3	1.1	1.1	-1.1	0.0	0.0	-3.3	-1.1	-1.1			
% Chg Same Month Last Year	1.6	1.8	1.7	1.9	1.9	1.9	1.6	1.5	1.1	1.2	0.8	0.5	0.3			
US Non-farm Employment (Mil.)	137.4	137.5	137.6	137.7	137.8	137.8	138.0	138.0	138.1	138.0	137.9	137.8	137.8			
% Chg Previous Month SAAR	0.4	1.4	0.9	0.5	0.6	0.7	1.2	0.5	0.4	-0.7	-0.7	-0.8	-0.2			
% Chg Same Month Last Year	1.2	1.3	1.3	1.1	1.0	1.0	1.0	0.9	0.8	0.7	0.6	0.4	0.3			
US Service-Providing Employment (Mil.)	115.1	115.2	115.4	115.4	115.6	115.7	115.9	116.0	116.1	116.1	116.1	116.1	116.2			
% Chg Previous Month SAAR	1.1	2.0	1.2	0.9	1.5	1.2	1.9	1.2	1.2	-0.1	0.1	-0.1	0.7			
% Chg Same Month Last Year	1.6	1.8	1.8	1.6	1.6	1.5	1.6	1.4	1.4	1.3	1.1	1.0	1.0			
US Manufacturing Employment (000s)	13,922.0	13,910.0	13,890.0	13,884.0	13,844.0	13,822.0	13,797.0	13,794.0	13,772.0	13,737.0	13,690.0	13,644.0	13,595.0			
% Chg Previous Month SAAR	-2.6	-1.0	-1.7	-0.5	-3.4	-1.9	-2.1	-0.3	-1.9	-3.0	-4.0	-4.0	-4.2			
% Chg Same Month Last Year	-2.1	-2.0	-2.2	-2.1	-2.2	-2.2	-2.1	-1.9	-1.9	-2.0	-2.1	-2.2	-2.3			
US Unemployment Rate (%)	4.5	4.5	4.6	4.7	4.7	4.7	4.8	4.7	5.0	4.9	4.8	5.1	5.0			
US Manufacturer's New Orders Index (1996=100)	132.8	130.8	130.9	134.5	130.2	129.5	129.7	129.4	130.4	126.9	125.9	125.5	124.2			
% Chg Previous Month SAAR	8.7	-16.8	0.9	38.0	-32.0	-6.4	2.2	-2.6	9.7	-28.1	-8.8	-4.0	-11.7			
% Chg Same Month Last Year	-0.8	-2.3	-2.4	2.0	-0.2	-3.8	-0.8	-1.5	-2.5	-1.1	-2.9	-4.8	-6.5			
US Initial Claims for UI (000s)	321.3	308.5	318.5	308.6	325.3	318.4	330.0	340.1	344.6	339.2	346.0	374.8	367.3			
% Chg Previous Month SAAR	46.1	-38.6	46.6	-31.5	88.2	-22.7	53.6	43.6	17.1	-17.3	26.9	161.0	-21.5			
% Chg Same Month Last Year	4.7	-7.2	3.2	-2.4	2.7	-0.3	4.4	3.7	7.5	7.7	6.5	20.4	14.3			
US Industrial Production Index (1992=100)	111.0	111.0	111.4	112.0	112.0	112.3	111.8	112.3	112.4	112.5	111.8	111.9	111.1			
% Chg Previous Month SAAR	6.1	0.2	4.3	7.2	-0.3	3.1	-4.5	5.2	1.0	1.4	-7.5	1.6	-8.6			
% Chg Same Month Last Year	1.4	1.5	1.4	1.7	1.6	2.2	1.9	2.5	2.0	2.5	1.2	1.4	0.1			
US Personal Income Less Trans. (Bil. 2000 chnd)	8,419.1	8,411.2	8,441.7	8,489.9	8,504.4	8,522.0	8,544.2	8,534.7	8,541.5	8,527.7	8,535.3	8,535.0	8,532.4			
% Chg Previous Month SAAR	-2.9	-1.1	4.4	4.1	5.0	2.5	3.2	-1.3	1.0	-1.9	1.1	0.0	-0.4			
% Chg Same Month Last Year	3.6	3.9	3.6	4.3	4.7	4.1	2.8	2.3	2.1	2.0	1.5	1.1	1.3			
CPI, All Urban (1982-84=100)	205.8	206.7	207.2	207.7	207.7	208.5	209.1	210.9	211.7	212.5	212.6	213.3	213.7			
% Chg Previous Month SAAR	3.9	5.7	3.2	2.7	0.2	4.5	3.2	11.3	4.4	4.8	0.3	4.2	2.5			
% Chg Same Month Last Year	2.6	2.7	2.6	2.4	1.9	2.8	3.5	4.4	4.1	4.4	4.1	4.0	3.9			
US Retail Sales (\$Billions)	370.6	376.2	372.3	373.6	374.3	376.8	376.8	381.3	377.9	380.0	378.1	380.0	381.6			
% Chg Previous Month SAAR	-2.4	19.9	-11.9	4.4	2.3	8.3	-0.1	15.2	-10.1	6.9	-5.9	6.2	5.0			
% Chg Same Month Last Year	3.1	5.0	4.0	3.5	3.4	4.9	4.8	5.8	3.4	3.9	2.7	2.3	3.0			
US Consumer Expectations (1966=100)	75.9	77.6	74.7	81.5	73.7	74.1	70.1	66.2	65.6	68.1	62.4	60.1	53.3			
% Chg Previous Month AR	-35.3	30.4	-36.7	184.5	-70.1	6.7	-48.6	-49.7	-10.4	56.6	-65.0	-36.3	-76.3			
% Chg Same Month Last Year	3.4	13.8	3.8	12.4	8.4	-5.2	-17.3	-20.4	-19.2	-22.3	-23.4	-23.6	-29.8			
Ave. Prime Interest Rate (% NSA)	8.25	8.25	8.25	8.25	8.25	8.03	7.74	7.50	7.33	6.98	6.00	5.66	5.24			